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PROBLEM ANALYSIS AND OVERCOME STRATEGIES OF PUBLIC PRIVATE PARTNERSHIP IN BANGLADESH

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ABSTRACT

PPP is partnership between the government & private sector for agreed joint venture for economic growth & services to the country. This study attempts to find out the problems faced by PPP project and different causes that limit its development. Successful application of PPP concept will open up the door for increased flow of investment from both local and foreign investors which will accelerate economic growth in Bangladesh. Finally some strategies have been developed for effective and efficient run of PPP in Bangladesh.

KEYWORDS: Public-Private Partnership, Independent Power Plant, Transportation, Infrastructural Development

INTRODUCTION

In 1971, after Liberation of Bangladesh, it has been facing many development challengs & to overcome these challenges country requires significant investment in energy, transport, infrastructure & other sectors. In 1975, United Nation identified Bangladesh as a Least Developed Country (LDC). World Bank identified this country as a Low Income Country (LIC) because of it's per head income is USD 695 (TK 47, 955) at present (Government of Bangladesh, 2009). To eradicate proverty, achieve economic stability & to be a developing country, Bangladesh government wants to achieve possible growth by 2021. In this millenium we achieved 6% growth rate. The growth rate is also on the decline due to impact of the global economic downturn. Lack of investment in infrastructure, especially energy and power, port and communication has been identified as cause behind decreasing growth. At present Bangladesh rate of investment is 24%-25% of GDP (Government of Bangladesh, 2009). In order to achieve 8%-10% growth & become a Middle Income Country (MIC), rate of investment needs to increase from 24%-25% of GDP to 35%-40% of GDP (Government of Bangladesh, 2009). For this a lot of resources are required to raise rate of investment to 35%-40% of GDP (Government of Bangladesh, 2009). So it is challenging for the government to arrange such huge resources. Moreover, due to current global economic downturn, the opportunity of getting foreign assistance has diminished. In this situation Public Private Partnership (PPP) become a tool for increasing the investment.

LITERATURE REVIEW

Khanom N. A. (2009) in his article on Conceptual Issues in Defining Public Private Partnership mention some suggestions relating to different conceptual issues which emerge in defining PPPs. She told that different approaches of PPP emerge several features. There are some common features and as well as some distinctive features. However,

a number of essential features of PPP are not very specific in defining different conceptual issues of PPP. Most definitions and approaches of PPP remain with several gaps and raise few questions relating to governance, management and policy design of PPP. For this reason she mentioned some suggestion relating various conceptual issues which helps in defining PPP. Rashed, A. and Alam, M. (2009) on his article focus on Government Obligation in Promoting Public Private Partnership. Ahmad, R. and Mangahas, J., (2009) on his article "Public-Private Partnerships: Breakthroughs, Breakdowns and Challenges." describes breakthroughs and breakdown and challenges faced by the PPP and some strategies to remove the problems. Haque, A.S. and Hayllar, M.R. (2010) made efforts on "Public Management & the Mediation of Interest: A Case Study of Public Private Partnership in Bangladesh. This is a paper on 14th IRSPM Conference in Berne, Switzerland on "The Crisis: Challenges of Public Management", Panel 21 which describes the Public Management in Developing Countries that focus on current challenges and future perspectives. The Asia Foundation (2010). Promoting Public- Private Partnership in Bangladesh, A brief Guide for Partners" provides a comprehensive outline for smooth and sustainable run of PPP projects.

OBJECTIVES

Broad Objective

To identify the problem faced by Public Private Partnership (PPP) in Bangladesh & develop some overcome strategies.

Specific Objectives

- To understand concept of PPP,
- To observe the PPP & sector covers under PPP in Bangladesh.
- To identify the problem faced by existing PPP projects in Bangladesh & their current status.
- Develop some overcome strategies.

METHODOLOGY

This study is followed exploratory research design based on qualitative research approach. Whereas qualitative research is an unstructured, exploratory research methodology based on small samples intended to provide insight & understanding of the problem setting (Malhotra and Dash, 2010). Qualitative research work is termed unscientific, or only exploratory, or entirely personal and full of bias (Denzin and Lincoln,1994) and exploratory research is one type of research design, which has as its primary objective the provision of insights into and comprehension of the problem situation confronting the researcher and it is used to define the problem more precisely, identify relevant courses of action, or gain additional insights before an approach can be developed (Malhotra and Dash, 2010). This exploratory research focused on different methods and case study method is one of them. Where as case studies involve an intensive examination of a few selected cases of the phenomenon of interest (Malhotra and Dash, 2010). This study follows case study methods to discover of valuable insights into the problem. Data required for this qualitative analysis were collected from secondary sources like, project contract and records, media reports and publications, documents and articles from relevant agencies, companies & ministry of Finance. This study mainly focused on two aspects: firstly, problem analysis and secondly, recommend some overcome strategies. For problem analysis, case study considered five PPP projects in Bangladesh. After exploring the problem faced by this existing PPP projects, this study recommend some overcome

strategies. Further to make the study more broad based & informative this research conducted informal interview with an expert in this area. This expert is the senior consultant, project development, Infrastructure Investment Facilitation center (IIFC). Materials of the paper were presented systematically for analytical purpose & also to draw inference therefrom.

Limitations

- Discussion about the Public Private Partnership (PPP) is a vast subject, but only some selected areas are covered in the research paper.
- PPP is a new concept for Bangladesh & information is not available. The study was more informative if information would be available.

Rationale of the Study

This paper will be significant for stakeholder's like- public sectors, private sectors, policy makers, analysts etc for gathering knowledge regarding PPP in Bangladesh.

Public Private Partnership in Bangladesh

Developing country like Bangladesh, government success is determined by the initiating, possessing & developing new infrastructure like roads, bridges & modern building, which increase the opportunity of reelection. It is natural that Bangladesh government decided to use the tool of PPP to develop infrastructure at the same time obtain political benefits also.

PPP concept is not new but allocation of money for PPP projects is for the first time in our budget in FY 2009- 2010. A number of PPP projects are considered under PPP framework like child care, nutrition, and hospital management, waste management under health & education services. These social projects are capital intensive with low revenue. So, less private bodies want to participate this project financing. Whereas, infrastructure development, especially power & energy, telecommunication & port development got highest priority by the government as well as private sector. In 1996, private sector power generation policy introduced PPP in Bangladesh. In 1998-99 two mega power plants development initiatives were taken through private sector's participation.

In that time there was no specific guidelines for PPP. In 2004, government issued Bangladesh PSIG and established a national committee PICOM for promoting and progressing private infrastructure projects under PPP. In 2007, the BB launched five year term IPFF project with the WB through PPP for developing captive power plant, port, internal container terminal, highways & expressways, airports and water supply & distribution. In 2008, policy to promote private sector participation in power sector was formulated. Three public agencies were assisting the implementation of PPP projects in Bangladesh. These are IDCOL, IPFF & IIFC. IDCOL is a non banking financial institution established to facilitate project financing. IPFF financed five power projects & IIFC assists government with advice on project formulations, design & development, technical & engineering matters.

Government provides more emphasis on physical infrastructure projects because they are easier to plan & implement than social services. Private sector willing to engage & participate due to better scope of recovering cost. So, PPP is broadband financing program that is funded & operated through joint venture of government & one or more private sector companies to develop public service or project.

Sectoral Coverage for PPP in Bangladesh

"Any project fulfilling one or more of the PPP applicability criteria in any economic sector, according to the International Standard Industrial Classification (ISIC) of all Economic Activities, Revision 4, specified by the United Nations, is eligible for PPP. With this coverage in perspective, the government of BangIadesh has identified the foIlowing priority sectors:

- Exploration, production, transmission, and distribution of oil, gas, coal, and other mineral resources (ISIC 05-09).
- Oil refinery and production of LPG (ISIC 19).
- Production of fertilizer (ISIC 20).
- Power generation, transmission, distribution, and services (ISIC 35).
- Airports, terminals and related aviation facilities (ISIC 42 and 51).
- Water supply and distribution, sewerage and drainage, effluent treatment plans (ISIC 36-39).
- Land reclamation, dredging of rivers, canals, wetlands, lakes, and other related facilities (ISIC 42).
- Highways and expressways including mass-transit, bridges, tunnels, flyovers, interchanges, city roads, bus terminals, commercial car parking etc. (ISIC 42 and 49).
- Port development (sea, river and land) including inland container terminals, inland container depot, and other services (ISIC 52).
- Deep sea port development (ISIC 52).
- Telecommunication systems, networks and services including information and communication technology (ICT) (ISIC 60-63).
- Environmental, industrial, and solid waste management projects (ISIC 38-39). Railway systems, rolling stock, equipment and facilities (ISIC 49).
- Tourism industry (ISIC 79).
- Economic zone, industrial estates and parks, city and property development, including services to support commercial and noncommercial activities (ISIC 81-82).
- Social infrastructure e.g. health, education, human resource development, research and development, and cultural facilities, (ISIC 85-88).
- E-service delivery to citizens (ISIC 85).
- Poverty Alleviation Projects (ISIC 84).
    - Pourashava and village water supply (ISIC 36).
    - Remote Area Power Supply Systems (RAPSS), rural gas supply (ISIC 35).
    - Rural Internet projects (ISIC 61).

- River passenger terminals/landing stations (ISIC 52).
- Rural health services and hospitaI (ISIC 86).
- Irrigation and other agricultural services (ISIC 36).

- Other urban, municipal, and rural projects that the Government views as priority areas for development so as to support economic development activities." (The Asia Foundation, 2010)

List of projects to be implemented under PPP in Bangladesh is shown in Appendix- 1

Different PPP Implementation Models

There are different models and approaches for PPPs. While different countries have adopted a wide range of models, the following are among the common models:

Build-Own-Operate (BOO)

In this model, the private sector manages the infrastructure on a build-own-operate basis. The government usually does not manage the infrastructure developed under this model (Government of Bangladesh 2009). Private sector is responsible to build the project, own the project & operate the project. Government sector is obligated for providing advisory services for developing infrastructure projects & implementing the linked government sector projects which are predecessor for implementing any project. The Independent Power Producer (IPP) is an example of the BOO model in BangIadesh (Government of Bangladesh, 2009).

Build-Operate-Transfer (BOT)

Here private sector manages the infrastructure on a build operate- transfer basis. The private sector manages the infrastructure until a specified time. After that period of project is transferred to responsible government for its management. (Government of Bangladesh, 2009). Sonamasjid Land Port is an example of the BOT model in Bangladesh.

Build-Own-Operate-Transfer (BOOT)

This is an extended version of the BOT model. Under this model the ownership and management belongs to the private sector until a specified time. After expiry of the term, ownership and management is transferred to the government (Government of Bangladesh, 2009). Jatrabari-Gulistan Flyover Project is an example of the BOOT model in Bangladesh.

Analysis & Findings

Among the many compelling reasons why PPP faced problem & fail to realize it full potential due to several reasons. For this, PPP project delay, project stalled is happened which eventually proves unsustainable let alone stimulate growth. Case Studies of PPP Projects in Different Sectors are:

Case Study 1: NEPC Barge Mounted IPP, Haripur (Sep'98-March'99)

In 1997 government decided to reduce power shortage through IPP projects under PPP arrangement. For this, government decided to install plants with capacity of 110 MW each. Plant to be located in Haripur, just outside Dhaka. Power purchase agreement & implementation agreement for project were signed between BPDB & NEPC on

10 March, 1998. It was a BOO type project with a 15 years life span where total project cost was $124 million. The project can be extended by another 2-3 years through negotiation. Construction of the power plant started in September 1998. The plant was delivered in Bangladesh in March 1999. Commercial operation began on 30 June, 1999.

Problems Faced

- For this plant, BPDB buys gas from Titas & work as a supplier for NEPC IPP plant. So quality & pressure of the gas supply was not adequate for the plan & this was not properly addressed in original agreement. For this, NEPC could not get compensated.
- The NEPC chief executive in Bangladesh considers that, project financing was inadequate & he cited that plant required 0.6 acre piece of khas land for operations. Authority provides 20 years lease consent on this land. For security, the lender needs to ensure that the lease continues although there was a default by NEPC & in this situation lease was automatically pass on to the next buyer of the company. It was a minor problem considering the overall situation but project administration has spent 2 years in solving this minor problem & has been running between Ministry of Land, Deputy Commissioner (District Administrator) office, BPDB & others in order to resolve the issue. Lender was also disallowed the full dividend to be paid to the shareholders for one year for this delay.

Current Status

NEPC power plant has been in operation since 30 June, 1999 and supplying power to the national grid. Under Private Power Generation Policy, this was one of the successful PPP initiatives in the power sector.

Case Study 2: AES Meghnaghat, IPP (1999- April 2001)

This project was directly handled by BPDB. A project was signed in mid 1999 with AES Meghnaghat. The project capacity was 450 MW. It was a wholesale concession with BPDB being the only customer. The agreements included a power purchase agreement with BPDB, implementation agreement with government, gas supply agreement with Titas & the land was prepared by the BPDB. The project was of BOO type with 22 years operating period & provision for another three additional years. Government has given payment guarantee on behalf of BPDB & a performance guarantee on gas supply through Titas. Financial closure was reached in April 2001.

Problems Faced

- The project was handled by BPDB & there was a power purchase agreement with BPDB. Tendering process was slow & that was also handled by BPDB.
- Land lease agreement was with BPDB & land was not prepared by the BPDB as per the specification. Soil preparation was also inadequate regarding protection against earthquakes & BPDB failed to do this. Finally EPC contractor did it at BPDB's cost. This delayed the projects for few months.
- As per power purchase agreement (PPA), there was a condition of supplying free electricity by the project company to BPDB before starting commercial operations which was contracted after a long negotiation at cost of delay. This type of unusual condition creates undue complexity in the process.

- In mid 2000, EPC contractor Hyundai faced significant liquidity problems at the time of construction. Lenders become doubtful about the completion of project according to condition.
- Due to inappropriate foundation design, cooling water pipeline structure was established in 2002. There were serious vibration problems. Necessary corrective actions took to finish the project.

Current Status

This is another successful PPP power project of Bangladesh. Presently the plant is smoothly running and supplying power to the national Grid.

Case Study 3: Development of Sonamashjid Land Port (October 2005- June 2007)

Sonamoshjid land port is situated in Shibganj upazila of Chapai Nawabganj district. It is situated on national highway approaching to Indian border going to Maldah district. The Ministry of Shipping & the BSBK decided to develop land port on BOT model basis arrangement. Construction agreement was signed on 9 October, 2005 & land lease agreement was signed on 4 January,2006. Construction under the agreement completed in June, 2007.

Problems Faced

- In the bid, project viability & other financial obligations like recovery of investment, repayment was not properly considered. In bid, investor quoted a high amount of percentage which was 49% of gross revenue earned from port which was significantly high & unreliable. For this, problem was created.
- IDCOL was the lead financer & they did not properly model the cash flows with a 49% offer. It also payout a significant portion of loan in the project without proper monitoring of the construction progress. In spite of receiving a large amount of money from IDCOL & other banks, the expected project work was not completed up to the required level & whole thing turned in to bad example for PPP.
- During construction phase of the project some disputes were raised between the Project Company and Bangladesh Sthala Bandar Kartripaksha (BSBK), which resulted significant delay in project implementation. Later on, the disputes were resolved.

Current Status

The project construction is now completed and it is currently partially operational as the port operator did not develop the required facilities with desired quality & standard.

Case Study 4: Khanpur Inland Container Terminal Project

The largest sea-port in Bangladesh is located in Chittagong & the second on in is Mongla. There is no direct road communication between Mongla & Dhaka. Chittagong port is destined for Dhaka/Narayanganj area. The project would provide a river alternative for the transport of containers. Such a terminal might also be useful in connection with Mongla and other major river ports. To reduce traffic congestion at Chittagong port & Dhaka– Chittagong highway, government of Bangladesh initiate to establish container terminal owned by BIWTA. The project idea came from Bangladesh Inland Water Transport Authority (BIWTA) and CPA. The proposed project was considered to develop in BOT basis with a 30 years concession period. The port operation would have an estimated investment of US$25 to 27 million. It was expected that a total investment of US$30 to 32 million would be provided by private sector.

Problems Faced

- Many competing interests developed around the KICT project with existing transportation network. These included agencies, institutions & actors in political & administrative bodies that were assigned the task of planning, designing & implementing the project.
- Competing interests developed among the local & international investors, large & small investors.
- Competing interest also included the land transportation industry. Truck owner association & its employees realize that the development of inland container terminal is a major threat to their business & livelihood. Their business & commercial interests were affected negatively. So, strong opposition to the construction of this terminal was submitted by them. Due to opening of inland waterways they may lose revenue earned from transporting commodities through the highway.
- Two major political parties in Bangladesh is another problem. They are constantly trying to upstage one another & use every opportunity to discredit & discontinue projects initiated by opposition. PICT project is good example of it.

Current Status

By late October 2009, the project team for PICT reported that despite the earlier delays to the project – caused partly by 'bureaucratic tangle' – they hoped that the terminal could go into operation at the end of 2010 (Mahmud, 2009). Current Minister for Shipping declared that "tender for developing necessary facilities at the Khanpur terminal would be floated within a week" (Daily New Age, 2009) (Haque and Hayllar 2010).

Case Study 5: Jatrabari-Gulistan Flyover Project (June, 2005- Under Construction)

Belsha Accon & associates limited, all associates company of Orion Group & concessionaire of the project came forward to implement the project at tk 1350 crore. Orion group was awarded the Gulistan –Jatrabari flyover project on BOOT model basis. The investor will transfer the facility to government after concession period of 24 years. DCC is executing agency of the project. Project's main objective was to minimize traffic congesstion in Gulistan, Motijheel, Jatrabari due to movement of vehicles linking the capital with Chittagong & south east region.

Problems Faced

After concession agreement DCC declared this agreement as null & void due to legal complexities & the concession agreement was sealed on June 21, 2005. Jatrabari flyover conducted a feasibility study but could not implement due to corruption & inefficiency, (The daily Star, 2010)

Project is now stalled due to fund crunch, wrong selection of bidder, inefficiency of the relevant ministry and inflexibility at the highest level (The Daily Star, 2011). The supervising project engineer also failed to answer why construction has been stalled.

An officer of the contractor agency said that, the flyover will have more than 2000 segments. However only 280 segments have so far been installed, 6 pillars of the flyover have already been completed & 60% of the work remains unfinished. The construction of the Gulistan- Jatrabari flyover has been stalled (The Daily Star, 2010).

Current Status

After a long delay, the project construction is now completed. The commercial operation started at 11th October, 2013. For a single trip across the flyover, a motorbike will be charged a toll of Tk 5, an auto-rickshaw Tk 10, a car Tk 35, a jeep Tk 40, a microbus Tk 50, a pickup van Tk 75, a minibus Tk 100, a bus Tk 150, a four-wheeler truck Tk 100, a six-wheeler truck Tk 150 and a large goods vehicle Tk 200.

RECOMMENDATIONS

- There is no central cell for PPP development facility whereas central cell is very essential & that will used by different government agencies for developing PPP projects, project implmentation, providing necessary support for fund mobilization & fund allocation for performing government obligation. Without having a central cell for PPP, improper selection of private pertner mey happened because financial & technical capacity of private partner & creditworthiness of PPP projects are not considered properly. So development of neutral central PPP unit is essential to reduce comlexity & unnecessary delay, political interference & volatility which will enhance PPP, smothen project process, ensure its viability. Executive Director of PRI said, "What you need is just to establish a dynamic PPP cell at the finance ministry or prime minister's office. This ways must have authority to promote investment in project capacity to evaluate their economic viability & relations with potential investors." (Financial Express, 2009). President & CEO of BEI said that, "PPP is not going to be a panacea for Bangladesh. The experience about the issue is mixed around the world. We are encouraged by the fact that the government has set up a PPP cell. It will however take sometime before it makes any meaningful contribution to infrastructure development in the country". "The neutral agency refers for a government body that may not be involved in developing & managing PPP projects. The advantages of such a facility are the rapid availability of technical assistance funds resulting speed in mobilization of advisory support & completion of other government obligations for promoting a PPP projects" (Rashed and Alam, 2009).
- Government or public sector performs feasibility study, provide transaction support & implementing linked public sector projects is the question of fund that is mobilized by government (Rashed and Alam, 2009). This government side obligation is complicated because they consider priority factors for fund utilization & perform a long bureucratic procedure for fund allocation. In many instances the central authority for such fund allocation may not understand the importance of PPP project (Rashed and Alam, 2009). However, lack of understanding & transperency in process hamper the project progression & increase the uncertainty for investors & developers. As well as, in most cases public sector is inefficient to perform feasibility study properly & do not consider technology, legal system, condition of market, culture of project area & it's interest group sorroundings. Lack of administrative efficiency, poor negotiation skill & knowledge levels of officials are hindering the success of the PPP inititive. These are very complicated issues & the government officials generally do not possess the required skill & understanding for such development phase for a PPP project implementation especially for defining the project capacity on scope (Rashed and Alam, 2009). Government should educate & train up government officials & policy makers for enhancing PPP projects. Finance Minister said, "To implement the PPP concept, we need to educate the private sector, govarnment servant & policy makers.

- In this time, there is no legal framework for PPP projects. Only there are some guidelines that is Private Sector Infrastructure Guidelines (2004) PSIG-2004. For these provisions of cost recovery, address compensation, determining investor's percentage, redress mechanism is not possible in PPP projects. So a appropriate PPP law needs to be adopted based of the Bangladesh PSIG. Global experience suggests that the most successful PPP projects are those that are managed under a legal regulatory mechanism not under executive guidelines (Bhuiyan, 2010).

- Most of the PPP projects are financed by private sector. Funds of the government are limited in most cases. Finance Minister said, "Budget allocated for PPP in the current fiscal year (TK 3000 crore) would not be enough to meet the demands due to number of awaiting projects" (The Daily star,2011). He also said, " PPP would occupy a major share of the Bangladesh infrastructure development in near future & government had a good number of positive elements but it's domestic capacity for investing infrastructure is limitad & PPP will play a vital role for investment in these sectors in the near future" (Kabir,2012). So it is important to assess affordability of each project & allocate funds with best efforts. When affordability is assured then explicit plan & budget, tendering, documentation, feasibility study is required proper time. So, officials should avoid shortcut planning & implementation. Effective, continuous monitoring & evaluation at the time of construction operation & completion of project is necessary. In many cases it has been experienced that large PPP projects are often stalled due to not completion of such linked project on timely manner (Rashed and Alam, 2009). For this government should identify & implement linked project & need to be completed first for implementing any PPP project. Communication Minister said, "We must develop proper cordination so that one project does not conflict with the other delaying the implementation" (The Daily star, 2010). Government should smoothen the way for private sector as well as foreign investor. Foreign Minister said, "We have announced PPP oppotunities in industrial & social infrastructure sectors to develop strategic relationship with investors" (Speech, 2012). Government will need to provide financial subsidies & support for this purpose. Government may seek participation of multilateral and regional developments banks.These banks not only offer concessional loans for longer maturities, but their involvement will also encourage domestic and foreign banks to provide capital – both equity and debt – to the projects (Bhuiyan,2010).

- Country risk is highly influenced potential investors to finance in PPP projects & credit rating helps to understand investors on risk exposures, uncertainty, default records & assess to international bond market for specific country (Chowdhury, 2009). So careful analysis needs to be given to identify all risk factors & mitigate them before implmenting the projects. Trust & confidence of the investors also reduced on PPP projects due to political instability, political competition & grivance between two major political parties. Large investment projects like PPP need a longer period for their implementation & have to face several negative attitudes regarding investment due to government change in regular election cycle. Norms and Views of political party as well as their attitude towards PPP projects need to be change.

- Bangladesh can take important lesson from different PPP projects implemented successfully to other country & also can do some comparative analysis with other countries to determine the deviations & take consecutive actions on it. Executive Director of PRI said," Bangladesh can draw lessons from the PPP experience of India, China, East Asia & the Middle East & adopt policies to close the ever- growing- a infrastructure gap

approach. Appendix – 2 shows the comparative position of India and the Philippines vis-à-vis Bangladesh (Government of Bangladesh, 2009).

CONCLUSIONS

Successful PPP projects can draw a better economic condition. Through implementing PPP, Bangladesh can manage & also can increase production capacity without giving any pressure on government revenue & could achieve a good growth rate. If we want to develop our country & want to raise GDP growth to 8% by 2013 and double digit growth of 10% by 2017(Vision 2021 of Bangladesh Awami League) there is no other way than to invest heavily in infrastructure through PPP. Appendix A, B and C show the list of project implemented under PPP. A total of 16 projects of Annual Development Program (ADP) are there to be implemented under PPP in the next fiscal (3 being Satellite city projects and the rest 13 being energy and power projects).But developments of PPP projects are facing problems. For this reason Government should take corrective action to remove major pitfalls as soon as possible. We are hopeful that in the long run we will be able to build a sustainable institutional infrastructure and efficient management that will help of PPP.

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APPENDICES

Appendix: 1 "List of Projects to be Implemented Under PPP"

Table 1: List of Important Mega Projects

Sector	Name of the Project	Estimated Cost (USD Billion)	PPP Model
Transportation	1. Dhaka- Chittagong access control highway	3.02	BOOT
	2. Sky-train encompassing the Dhaka metropolis	2.80	BOOT
	3. Dhaka city subway	3.10	BOOT/BOT
	4. Dhaka city elevated expressway	1.23	BOOT/BOT
	5. Dhaka-Narayanganj-Gazipur-Dhaka elevated expressway	1.90	BOOT/BOT
Power and Energy	1. Four coal, diesel or gas fired power plants capable of producing 450 megawatts electricity in different parts of the country	1.80	BOOT/BOT
Water Transport	1. Deep sea port in Chittagong Total (excluding Chittagong deep sea port)	13.85	BOOT/BOT

Table 2: List of Other Projects

Sector	Name of the Project	Estimated Cost (Million BDT)	PPP Model
	1. Bus Rapid Transit (BRT)	150	BOO
	2. Articulated Bus Service	50	BOO
	3.Bus Route Franchise (BRF)	50	BOO

Table 3: List of Projects in Education and Health Sectors

Sector	Name of the Project
Health	1. Health care provider for a specific area (a few districts)
	2. Setting up cancer and/or other hospitals
Education	1. Setting up quality secondary schools
	2. Setting up dormitories, health centers, auditoriums, gymnasiums in public universities
	3. Development, expansion or improvement of present Degree colleges
	4. Setting up research institutions or research foundations dedicated to the institution

Appendix-2: PPP Framework – Cross Country Comparison. (GoB, 2009)

Table 4

SL No.	Issue	Bangladesh	India	The Philippines	Observation
I.	Regulatory Framework	Guidelines of PSIG-2004 is being followed	Guidelines for formulation, appraisal and approval of PPP projects, 2006 is being followed	'The Philippines BOT law' enacted in 1993 is being followed	
2.	Institutional Framework	An 11member Private Infrastructure Committee (PICOM) has been Constituted. The Board of Investment (BOI) provides secretarial services to PICOM	**a.** A 5 member Public Private Partnership appraisal Committee (PPPAC) has been Constituted. The PPPAC is housed in Department of Economic Affairs (DEA) under M/O. Finance. 2 more small committees are in place for appraisal of projects up to certain level of project cost ceiling. **b.** A dedicated PPP unit has been constituted in the DEA for providing technical services to PPPAC on PPP project pre-appraisal and recommendation. **c.** A separate PPP Appraisal Unit has been set-up in the Planning Commission	There is no separate Committee. PPP projects are processed under delegated authority approved by the National Economic Development authority NEDA).	**a.** 11 member PICOM is a big Committee. It usually takes long time to arrange meetings of such a big committee and to maintain contacts with the members. **b.** Single point technical services are hindered in the absence of dedicated PPP Unit.
3.	Terms of Reference	PICOM's role is limited to coordination, communication and encouragement for PPP related activities and placement of proposal to the Cabinet Committee on Economic Affairs (CCEA) through	PPPAC examine the PPP projects and place them to the appropriate authority with its own recommendations for Consideration and approval. **a.** Project cost beyond 2500 million rupees and project included in the National Highway Development Plan (NHDP) having cost beyond 5000 million rupees are placed to PPPAC for recommendation **b.** A Standing Finance Committee (SFC a 4 member	Each government department examines and analyses its project and places to NEDA for approval having cost above 300 Million pesos.	Since, PICOM's role is limited to coordination and communication hence, it is understandable that in most cases PICOM can not examine and evaluate PPP projects properly.

		Cabinet Division.	committee) examines project having cost above 1000 million rupees and less than 2500 million rupees and NHDP listed project having cost less than 5000 million rupees and above 2500 million rupees and places them to a Committee under M/O. Finance for recommendation to the appropriate authority for approval **c.** SFC or Expenditure Finance Committee (EFC a 4 member committee) considers and recommends a project costing less than 1000 million rupees to the appropriate authority for approval		
4.	Project Approval	**a.** CCEA for project having cost more or equivalent to USD 5 million. **b.** Concerned ministry for project having cost less then USD 5 million.	**a.** CCEA approves project having cost above 2500 million rupees and NHDP listed project having cost beyond 5000 million rupees with the recommendation of PPPAC **b.** Appropriate authority approves project having cost less than 2500 million rupees or above 1000 million rupees and NHDP listed project having less than 5000 million rupees and above 2500 million rupees **c.** An appropriate authority approves project costing less than 1000 mil. Rupees	**a.** NEDA approves project that has estimated cost of 200 million peso or above **b.** Local government institutions approve project having cost less than 200 million peso	
5.	Project Identification	**a.** Project cost more than USD 5 million identified by line ministries or PICOM is placed to CCEA for approval of inclusion into the PPP project list. **b.** Project cost less then USD 5 million identified by line ministries is sent to PICOM for inclusion into the PPP project list.	**a.** PPPAC empowered to give 'approval in principle' of project for listing having cost above 2500 million rupees and NHDP listed project having cost beyond 5000 million rupees with an inter-ministerial committee recommendation **b.** With SFC's recommendation a 2 member committee under finance ministry 'approval in principle' for listing of project having cost above 1000 million rupees or less than 2500 million rupees and NHDP listed project having less than 5000 million rupees and above 2500 million rupees **c.** SFC or EFC gives 'approval in principle' of projects costing less than 1000 million rupees on identification of projects by the relevant line ministry	**a.** Central government agencies identify projects with estimated cost of 200 million peso or above and place them to NEDA for approval **b.** Local government institutions (Municipality, provincial, city and regional) identify project having cost less than 200 million peso	**a.** After identification, all projects large and small is needed to be placed before CCEA for listing that require long processing and discourages private sector and concerned ministry **b.** Absence of involvement of Planning Commission poses the risk of Sectoral imbalance and duplication of projects
6.	Use of standard formats for	According to guidelines standard	Different standard formats for different stages have been included in the guidelines	Different departments provide its standard formats	Concerned ministries and interested private investors face dilemma

	approval	formats for tender, contract , etc would be included			as no standard formats have been included in guidelines.
7.	Classification of Project	**a.** A Project having capital cost of USD 25 million or above is defined as big projects **b.** A Project having capital cost of less than USD 25 million is defined as small projects	**a.** Project cost 2500 million rupees or more and NHDP listed project having cost 5000 million rupees or more **b.** Project cost 1000 million rupees or more and NHDP listed project having cost beyond 2500 million rupees or less than 5000 million rupees **c.** Project cost less than 1000 million rupees	**a.** Project cost 200 million peso or more **b.** Project cost less than 200 million peso	Approval of CCEA for listing of all projects (large and small) is not conducive to fast track decision making.
8.	Executive Responsibility	BOI provides secretarial services to PICOM	DEA provides all technical as well as secretarial services to PPPAC through its PPP Unit. Ministry of Finance acts as the nodal ministry in financial and other stimulus matters	Government departments perform necessary Activities.	Additional stages requires additional time for PPP project processing that cause delay in PPP project approval
9.	Determination of terms & conditions for project related different contracts	CCEA constitutes separate committee for each project as Major Terms and Condition Committee (MTCC) for determining terms and conditions for different contracts in a project	PPPAC and other relevant committees determine terms & conditions on the basis of reports on technical, engineering and legal matters at feasibility study and pre-appraisal test stage.	Project related government departments take expert services to assess technical and financial soundness and determine relevant conditions	Constituting a separate committee and determining Terms & Conditions by that committee require long time. MTCC is constituted on an ad-hoc basis and in most cases desired professional opinion remain unavailable
10.	Sick Project	According to guidelines, in addition to other causes, government shall not take responsibility of a project if turns sick due to change in government policy, increase in taxes and reduction in fiscal incentives.	Nothing has been mentioned in the guidelines regarding this issue	According to provision of the act government hall take full responsibility and make required compensation if any project get sick due to change in government policy and arrangement	Presence of the sick project related clause in the guidelines is not favorable to private sector entrepreneur for investment in infrastructure development.

LIST OF ABBREVIATIONS

PPP= Public Private Partnership.

NPM= New Public Management.

LDC= Least Developed Country.

LIC= Low Income Country.

MIC= Middle Income Country.

GDP= Gross Domestic Product.

ADB= Asian Development Bank.

BB= Bangladesh Bank.

WB= World Bank.

AES= Applied Energy Service.

NGO= Non- Government Organization.

BOO= Build Own Operate.

BOT= BuiId Operate Transfer.

SCR= Sovereign Credit Rating.

BOOT= Build Own Operate Transfer.

FY= Fiscal Year.

PSIG= Private Sector Infrastructure Guideline.

PICOM= Private Infrastructure Committee.

IPFF= Investment Promotion & financing Facility.

IDCOL= Infrastructure Development Company Limited.

IIFC= Infrastructure Investment Facilitation Center.

ISIC= International Standard Industrial Classification.

RAPSS= Remote Area Power Supply System.

BPDB= Bangladesh Power Development Board.

NEPC= New England Power Company.

IPP= Independent Power Plant.

PICT= Pangaon Inland Centre Terminal.

EPC= Engineering, Procurement & Construction.

PPA= Power Purchase Agreement.

BSBK= Bangladesh Sthala Bandar Kartripaksha.

BIWTA= Bangladesh Inland Water Transport Authority.

CPA= Chittagong Port Authority.

KICT= Khanpur Inland Container Terminal.

DCC= Dhaka City Corporation.

BEI= Bangladesh Enterprise Institute.